

**Chapter Six**  
**FINANCIAL PROGRAM**

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# FINANCIAL PROGRAM

**T**he analyses conducted in previous chapters have evaluated airport development needs based upon forecast aviation activity, environmental factors, and operational efficiency. One of the most important elements of the master planning process, however, is the application of basic economic, financial, and management rationale so that the feasibility of implementation can be assured. This chapter will concentrate on those factors that will help make the plan successful. A logical development schedule is essential to maintain a realistic and cost effective program for Ernest A. Love Field.

The program outlined on the following pages has been evaluated from a number of perspectives. The plan is not dependent exclusively upon the City for funding new facilities. In fact, it is quite possible for the City to implement \$36,554,012 of capital improvements over the next twenty years, with continued federal and state grant funding.

## CAPITAL IMPROVEMENT PROGRAM

Once the specific needs of the airport have been established, the next step is to determine realistic costs for each development item.

Day-to-day operating expenses will also be an important factor in determining the amount of funds available for the local share. Development and operating costs will be compared to the potential funds available. A schedule will then be developed in an attempt to balance the need for each facility and its cost with the projected income sources that can be identified.

This section examines the total cost of each development project and a



schedule for the projects. The following sections will examine the revenue sources and expenses of the airport operation. From this evaluation, any shortcomings can be determined and adjustments made to establish a financial program for the airport.

## AIRPORT DEVELOPMENT SCHEDULE

In order to better assess the effects of the airport development costs on the overall financial system, the timing or schedule of each development item should be estimated. This evaluation can initially be conducted by dividing

the development needs into three stages covering the first five years, the second five years and the final ten year period, respectively. The first stage includes those items of highest priority to meet short-term safety and activity needs. The second five-year stage includes those items associated with the increased airport activity. The third, long-term phase, covering the remaining years of the planning period, includes those additional items necessary to maintain the overall operational effectiveness of the airport facilities. **Table 6A, Summary of Total Costs**, provides the total costs associated with the 20-year planning period.

<b>TABLE 6A</b> <b>Summary of Total Costs</b> <b>Ernest A. Love Field</b>	
Stage I (FY1998-FY2002)	\$11,979,012
Stage II (FY2003-FY2007)	\$12,942,900
Stage III (FY2008-FY2020)	\$11,809,200
<b>TOTAL DEVELOPMENT COST</b>	<b>\$36,731,112</b>

Prior to summarizing the staged capital costs, two important points should be emphasized. First, the staging of development projects should be considered in conjunction with Capital Improvement Projects already being contemplated and funded by the City. Secondly, all of the projects will be determined by the actual level of airport activity. Actual activity levels may vary from the projected or forecast levels. Implementation of capital improvement projects should only occur after the demand has been achieved. The airport development program is based on a fiscal year which coincides with the

City's annual financial period. **Table 6B, Capital Improvements Program**, includes a breakdown of the development items during each stage.

**Stage I**, the first five year period of the development program, has been subdivided into individual fiscal years, FY1998 through FY2008. The projects in Stage I include land acquisition, extending the primary runway, fuel farm construction, terminal building construction, T-hangar construction/relocation, and pavement maintenance projects. The total development cost

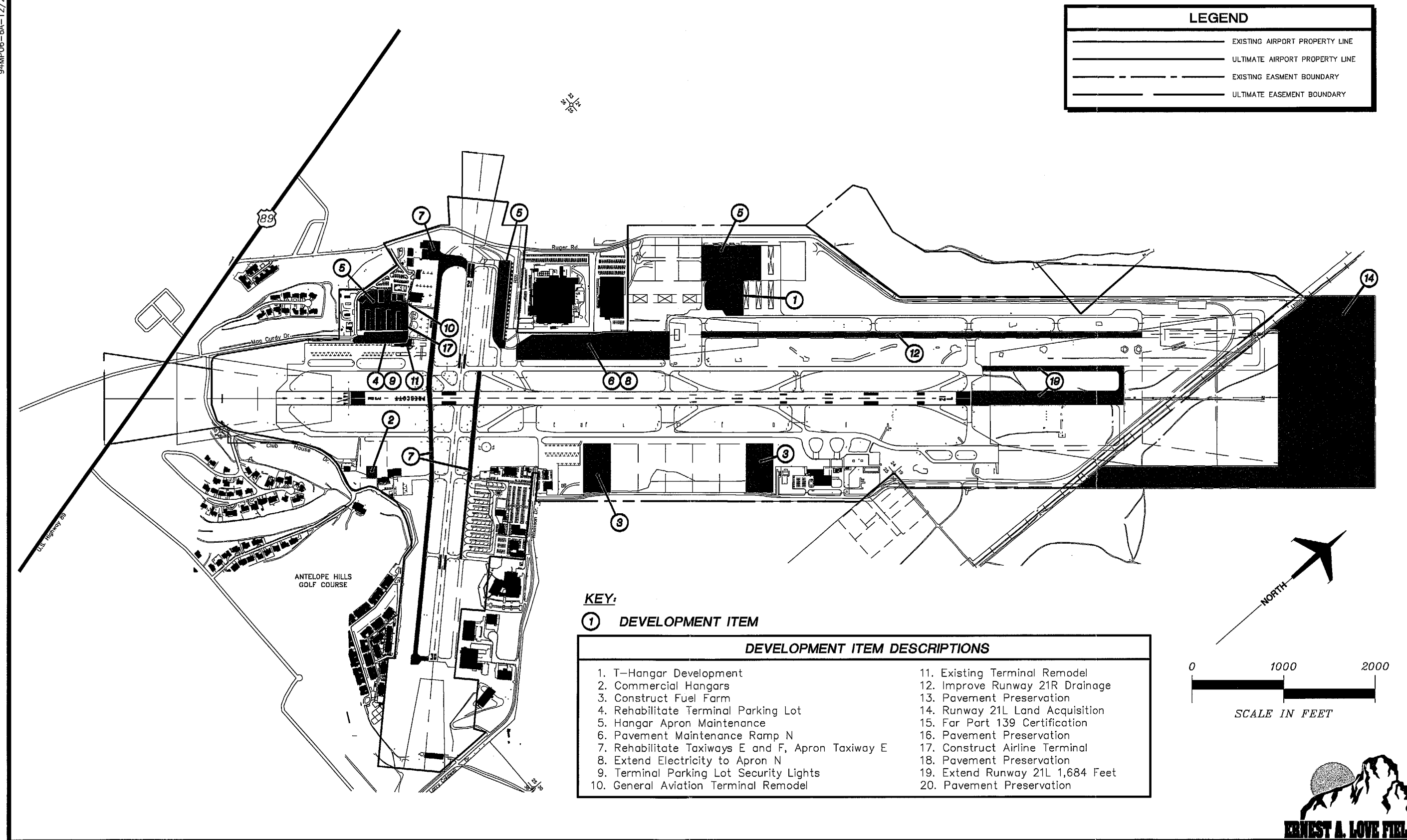
associated with Stage I was estimated at \$11,929,012. **Exhibit 6A** provides a

graphic depiction of Stage I recommended improvements.

<b>TABLE 6B Capital Improvements Program</b>				
	<b>Total</b>	<b>FAA Eligible</b>	<b>ADOT Eligible</b>	<b>Local Funds</b>
<b>Stage I (FY1998 - FY2002)</b>				
<b>FY 1998</b>				
1.T-Hangar Development	\$920,000	\$0	\$0	\$920,000
2.Commercial Hangars	900,000	0	0	900,000
3.Construct Fuel Farm	390,000	0	0	390,000
4.Rehabilitate Terminal Parking Lot	279,343	0	251,409	27,934
5.Hangar Apron Maintenance	211,433	0	190,290	21,143
6.Pavement Maintenance Ramp N	194,686	0	175,217	19,469
7.Rehabilitate Taxiways E & F, Apron Twy E	182,400	0	164,160	18,240
8.Extend Electricity to Apron N	164,400	0	147,960	16,440
9.Terminal Parking Lot Security Lights	81,750	0	73,575	8,175
10.General Aviation Terminal Remodel	55,000	0	0	55,000
11.Existing Terminal Remodel	20,000	0	0	20,000
12.Obstruction Removal	10,000	0	9,000	1,000
<b>Subtotal FY 1998</b>	<b>\$3,409,012</b>	<b>\$0</b>	<b>\$1,011,611</b>	<b>\$2,397,401</b>
<b>FY 1999</b>				
13.Improve Runway 21R Drainage	\$500,000	\$455,300	\$22,350	\$22,350
14.Pavement Preservation	200,000	0	180,000	20,000
15.Obstruction Removal	10,000	0	9,000	1,000
<b>Subtotal FY 1999</b>	<b>\$710,000</b>	<b>\$455,300</b>	<b>\$211,350</b>	<b>\$43,350</b>
<b>FY 2000</b>				
15.Runway 21L Land Acquisition	\$1,250,000	\$1,138,250	\$55,875	\$55,875
16.FAR Part 139 Certification	250,000	0	0	250,000
17.Pavement Preservation	200,000	0	180,000	20,000
18.Obstruction Removal	10,000	0	9,000	1,000
<b>Subtotal FY 2000</b>	<b>\$1,710,000</b>	<b>\$1,138,250</b>	<b>\$244,875</b>	<b>\$326,875</b>
<b>FY 2001</b>				
19.Construct Airline Terminal	\$2,230,000	\$2,030,638	\$99,681	\$99,681
20.Pavement Preservation	200,000	0	180,000	20,000
21.Obstruction Removal	10,000	0	9,000	1,000
<b>Subtotal FY 2001</b>	<b>\$2,440,000</b>	<b>\$2,030,638</b>	<b>\$288,681</b>	<b>\$120,681</b>
<b>FY 2002</b>				
22.Extend Runway 21L 1,684 Feet	\$3,500,000	\$3,187,100	\$156,450	\$156,450
23.Pavement Preservation	200,000	0	180,000	20,000
24.Obstruction Removal	10,000	0	9,000	1,000
<b>Subtotal FY 2002</b>	<b>\$3,710,000</b>	<b>\$3,187,100</b>	<b>\$345,450</b>	<b>\$177,450</b>
<b>Total Stage I (FY1998 - FY2002)</b>	<b>\$11,979,012</b>	<b>\$6,811,288</b>	<b>\$2,101,967</b>	<b>\$3,065,757</b>

**TABLE 6B (Continued)****Capital Improvements Program (Continued)**

	<b>Total</b>	<b>FAA Eligible</b>	<b>ADOT Eligible</b>	<b>Local Funds</b>
<b>Stage II (FY2003 - FY2007)</b>				
1.Rehabilitate Runway 3R-21L	\$3,244,100	\$2,954,077	\$145,011	\$145,011
2.Rehabilitate South Apron	1,034,700	942,198	46,251	46,251
3.Remove Old Terminal Building	25,000	22,765	1,118	1,118
4.Improve MacCurdy Drive Entrance/Signage	272,500	248,139	12,181	12,181
5.Purchase Easement to Protect Runway 12 RPZ (6.9 ac.)	29,300	26,681	1,310	1,310
6.Purchase Easement to Protect Runway 3R RPZ (23 ac.)	97,800	89,057	4,372	4,372
7.Purchase ARFF Vehicles	550,000	500,830	24,585	24,585
8.Purchase Snow Removal Equipment	270,800	246,590	12,105	12,105
9.Upgrade Emergency Generator/Airport Beacon	27,000	24,586	1,207	1,207
10.Noise Abatement Landscaping	32,800	0	0	32,800
11.Relocate T-hangars/shades	20,000	18,212	894	894
12.Relocate Port-a-Port Hangars	20,000	0	0	20,000
13.Construct Taxilanes	842,800	767,454	37,673	37,673
14.Construct 40 T-Hangars	1,400,000	0	0	1,400,000
15.Construct Auto Parking	97,500	0	87,750	9,750
16.Construct Helipads	126,200	114,918	5,641	5,641
17.Utility Improvements	252,400	0	227,160	25,240
18.Aviation Related Lot Site Preparation (15 ac.)	150,000	0	0	150,000
19.Construct Apron (10,000 SY)	250,000	227,650	11,175	11,175
20.Construct Conventional Hangars (30,000 SF)	3,000,000	0	0	3,000,000
21.Install Additional Fuel Storage (20,000 gal.)	200,000	0	0	200,000
22.Pavement Preservation	1,000,000	0	900,000	100,000
<b>Total Stage II (FY2003 - FY2007)</b>	<b>\$12,942,900</b>	<b>\$6,183,156</b>	<b>\$1,518,432</b>	<b>\$5,241,312</b>
<b>Stage III (FY2008 - FY2020)</b>				
1.Extend Runway 3L-21R and Parallel Taxiway 1,338 Feet Widen Runway to 75 Feet, Relocate MIRLs and PAPIs	\$1,041,000	\$947,935	\$46,533	\$46,533
2.Construct Runway 12-30 Parallel Taxiway	850,000	774,010	37,995	37,995
3.Construct High Speed Exits	665,000	605,549	29,725	29,725
4.Construct Perimeter Road	650,000	591,890	29,055	29,055
5.Install/Upgrade Perimeter Fencing	299,400	272,634	13,383	13,383
6.Install Runway Distance Remaining Signs	103,800	94,520	4,640	4,640
7.Construct Taxilanes	137,500	125,208	6,146	6,146
8.Construct 20 T-Hangars	700,000	0	0	700,000
9.Construct Apron (30,000 SY)	750,000	682,950	33,525	33,525
10.Construct Conventional Hangars (40,000 SF)	4,000,000	0	0	4,000,000
11.Construct Auto Parking (500 SY)	12,500	11,383	559	559
12.Install Additional Fuel Storage (30,000 gal.)	300,000	0	0	300,000
13.Aviation Related Lot Site Preparation (15 ac.)	300,000	0	0	300,000
14.Pavement Preservation	2,000,000	0	1,800,000	200,000
<b>Total Stage III (FY2008 - FY2020)</b>	<b>\$11,809,200</b>	<b>\$4,106,078</b>	<b>\$2,001,561</b>	<b>\$5,701,561</b>
<b>Total Airport Development</b>	<b>\$36,731,112</b>	<b>\$17,100,522</b>	<b>\$5,621,960</b>	<b>\$14,008,630</b>



Projects identified in the **Stage II** development program encompass the five year period from FY2003 through FY2007. Stage II development is generally associated with equipment purchases and the continued development of T-hangars and pavement preservation. The total development cost associated with Stage II was estimated at \$12,942,900. **Exhibit 6B** provides a graphic depiction of Stage II recommended improvements.

**Stage III** contains the development items proposed between FY2008 and FY 2020. The projects included in Stage III are generally associated with the extension and upgrade of the parallel training runway, the continued development of T-hangars, and pavement maintenance projects. The total development cost associated with Stage III was estimated at \$11,809,200. Stage III recommended improvements are graphically depicted on **Exhibit 6C**.

## **AIRPORT DEVELOPMENT COST SUMMARY**

The listing of projects under each stage in the development program, as outlined in **Table 6B**, represents the basic budget factors and priority assignments for the airport development through the planning period. Although development items have been numbered, this should not be construed to indicate actual development priority. The construction of any development item should be based on the current demand at that time.

Cost estimates were developed from information provided by construction industry sources as well as a review of actual costs on similar airport projects. This information was applied to pavement, earthwork, and building size requirements for Ernest A. Love Field to determine the estimated construction costs. A 25 percent contingency for engineering, legal fees, and unforeseen costs are included in the estimates.

In future years, the cost shown in **Table 6B** will need to be adjusted for inflation. This may be accomplished by converting the interim change in the United States Consumer Price Index (USCPI) into a multiplier ratio through the following formula:

$$\frac{X}{Y} = Z \text{ (Change Ratio)}$$

**X = USCPI in any given year**

**Y = USCPI in 1997**

**Z = Change Ratio**

Multiplying the change ratio (Z) by any 1997-based cost estimate presented in this study will yield the adjusted dollar amounts appropriate in any future year. The local or state CPI may be used since the national CPI may not be representative of this community.

## **AIRPORT DEVELOPMENT AND FUNDING SOURCES**

As previously mentioned, financing for the development and operation of an airport does not typically come from

only one funding source. Such is the case with Ernest A. Love Field, where federal, state, local, and private funding will be necessary during the next 20 years. The primary contributor to the development and operation of the airport will be the aviation community.

## **FEDERAL AND STATE AID TO AIRPORTS**

Airport development and funding in Arizona is accomplished through a cooperative effort involving three levels of government: local, state and federal. A brief description of the funding sources is provided in the following paragraphs.

### **Airport Improvement Program**

A major funding mechanism that is anticipated to exist throughout the 20-year program, is the Federal Airport Improvement Program (AIP). This program, funded by airport users through user taxes and fees, was recently reauthorized to provide \$2.28 billion in FY1997 and \$2.347 billion in FY1998.

AIP monies are distributed to airports in two ways: in the form of entitlements (based on actual levels of passenger enplanements), and through discretionary grants. The City is currently eligible for both discretionary and entitlement grants and it is anticipated will continue to be eligible throughout the planning period. In Arizona, airport development projects that meet the FAA's discretionary funds eligibility requirements, could receive

91.06 percent of the project cost from the AIP.

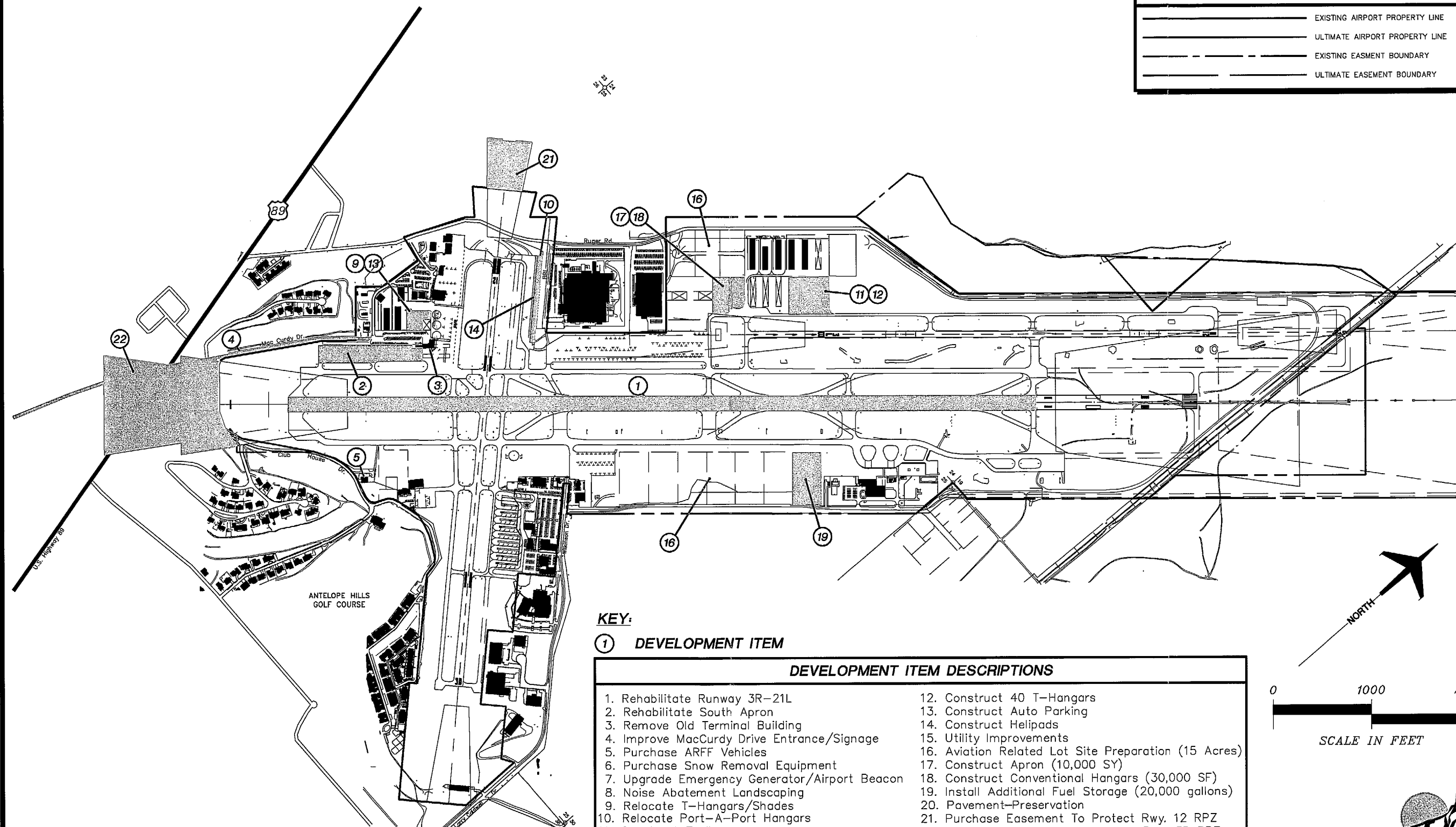
Because airline/charter passenger service is available at Ernest A. Love Field, entitlement funding from the FAA will also be available. Through this mechanism, primary commercial service airports enplaning at least 10,000 passengers annually are guaranteed a minimum of \$500,000 per year. For the first 50,000 enplanements, the airport receives \$7.80 per enplanement. For the next 50,000 enplanements, the airport receives \$5.20 per enplanement. The next 400,000 enplanements provide \$2.60 per enplanement. For all enplanements over 500,000, the airport receives \$0.65 per enplanement.

Under current AIP authorization, passenger entitlement funding for commercial service airports is determined using the following formula: for the first 50,000 enplanements, the airport receives \$7.80 per enplanement; for the next 50,000 enplanements, the airport receives \$5.20 per enplanement; for the next 400,000 enplanements, the airport receives \$2.60 per enplanement. For all other enplanements over 500,000, the airport receives \$0.65 per enplanement. According to the funding levels authorized under AIP, commercial service airports enplaning at least 10,000 passengers annually are entitled to a minimum of \$500,000 of federal assistance annually.

However, the funding levels authorized in the legislation are not always the levels appropriated in the annual Congressional budget process. In fiscal year 1996, the AIP authorized level was



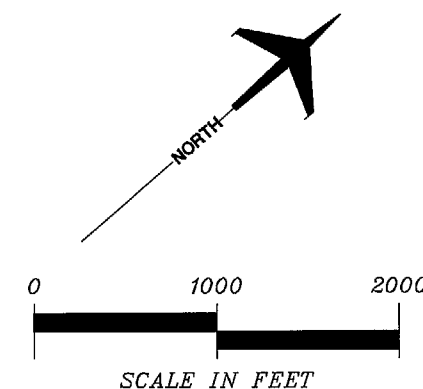
LEGEND	
	EXISTING AIRPORT PROPERTY LINE
	ULTIMATE AIRPORT PROPERTY LINE
	EXISTING EASEMENT BOUNDARY
	ULTIMATE EASEMENT BOUNDARY

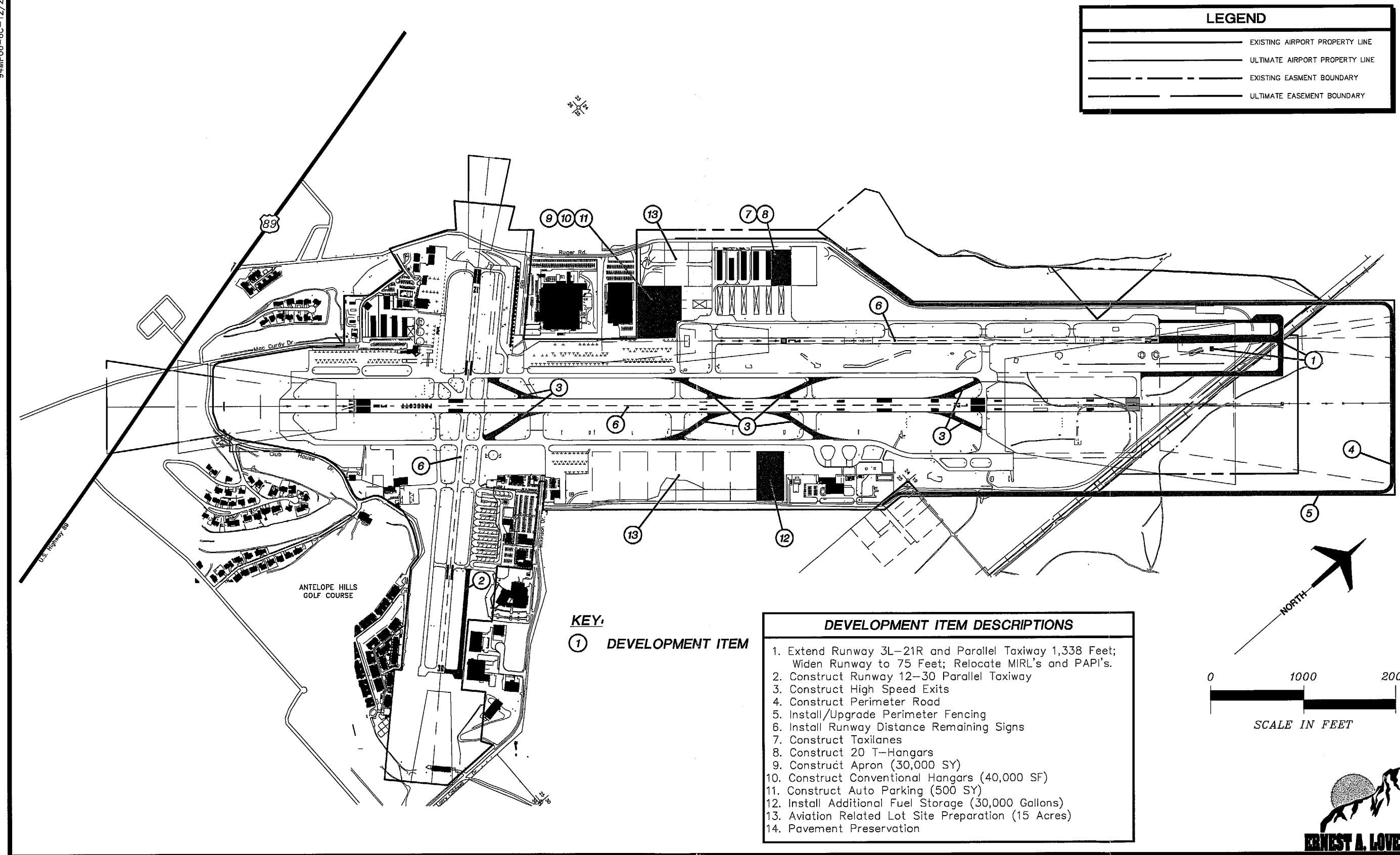


**KEY:**

① DEVELOPMENT ITEM

DEVELOPMENT ITEM DESCRIPTIONS	
1. Rehabilitate Runway 3R-21L	12. Construct 40 T-Hangars
2. Rehabilitate South Apron	13. Construct Auto Parking
3. Remove Old Terminal Building	14. Construct Helipads
4. Improve MacCurdy Drive Entrance/Signage	15. Utility Improvements
5. Purchase ARFF Vehicles	16. Aviation Related Lot Site Preparation (15 Acres)
6. Purchase Snow Removal Equipment	17. Construct Apron (10,000 SY)
7. Upgrade Emergency Generator/Airport Beacon	18. Construct Conventional Hangars (30,000 SF)
8. Noise Abatement Landscaping	19. Install Additional Fuel Storage (20,000 gallons)
9. Relocate T-Hangars/Shades	20. Pavement-Preservation
10. Relocate Port-A-Port Hangars	21. Purchase Easement To Protect Rwy. 12 RPZ
11. Construct Taxilanes	22. Purchase Easement To Protect Rwy. 3R RPZ

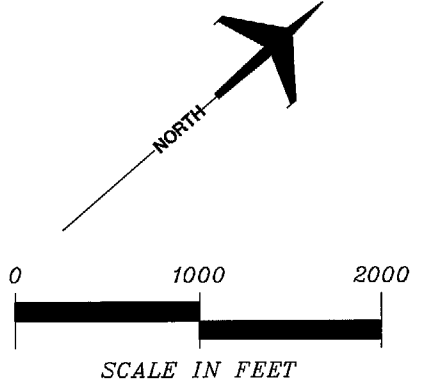




LEGEND	
	EXISTING AIRPORT PROPERTY LINE
	ULTIMATE AIRPORT PROPERTY LINE
	EXISTING EASEMENT BOUNDARY
	ULTIMATE EASEMENT BOUNDARY

**KEY:**  
 ① DEVELOPMENT ITEM

DEVELOPMENT ITEM DESCRIPTIONS	
1.	Extend Runway 3L-21R and Parallel Taxiway 1,338 Feet; Widen Runway to 75 Feet; Relocate MIRL's and PAPI's.
2.	Construct Runway 12-30 Parallel Taxiway
3.	Construct High Speed Exits
4.	Construct Perimeter Road
5.	Install/Upgrade Perimeter Fencing
6.	Install Runway Distance Remaining Signs
7.	Construct Taxilanes
8.	Construct 20 T-Hangars
9.	Construct Apron (30,000 SY)
10.	Construct Conventional Hangars (40,000 SF)
11.	Construct Auto Parking (500 SY)
12.	Install Additional Fuel Storage (30,000 Gallons)
13.	Aviation Related Lot Site Preparation (15 Acres)
14.	Pavement Preservation



\$2.161 billion, but only \$1.45 billion was appropriated. Only \$1.46 billion of the authorized \$2.28 billion was appropriated in 1997. As of mid-October 1997, Senate and House conference committees have agreed upon appropriating \$1.7 billion of the \$2.347 billion authorized for fiscal year 1998. When the appropriation level is too low to meet the full entitlement formula, the formula is prorated to the appropriated levels. In 1995 and 1996, airports received only 65-70 percent of the formula amount. Full entitlement levels are expected for FY 1998.

As often the case, major capital improvements require funds in excess of the airport's annual entitlement. Additional funds from the discretionary apportionments under the AIP are desirable. The primary feature of AIP discretionary funds that must be recognized is that these funds are distributed on a priority basis. These priorities are established on a national basis following criteria established by the FAA. Since the AIP program funds up to 91.06 percent of eligible projects, it is essential to most public airport development programs. As a result, the airport will be competing with other airports in Arizona, the FAA Western Pacific Region, as well as the remainder of the country for discretionary funds. Whereas entitlement monies are guaranteed on an annual basis, discretionary funds are not assured.

### **Passenger Facility Charges**

The Aviation Safety and Capacity Expansion Act of 1990 contained a provision for airports to levy passenger

facility charges (PFCs) for purposes of enhancing airport safety, capacity or security, reduce noise, or enhance air carrier competition.

Title 14 CFR Part 158 (May 1991), establishes the procedures that must be followed by airports choosing to levy PFCs. The regulations specify that PFCs may be imposed by public agencies controlling a commercial service airport with scheduled service and at least 2,500 annual passengers. Authorized agencies may impose a \$1.00, \$2.00, or \$3.00 charge per enplaned passenger.

Prior approval is required from the U.S. Department of Transportation (DOT) before an airport is allowed to levy a PFC. Any AIP-eligible project, whether development or planning, is eligible for PFC funding. Noise Compatibility projects are also eligible whether or not they are in an approved F.A.R. Part 150 program. Gates and related areas for the movement of passengers and baggage are eligible as are on-airport ground access projects.

PFCs may be used only on approved projects for all or part of the allowable costs. They may be used as matching funds for AIP grants or to augment AIP-funded projects. PFCs can also be used for debt service and financing costs of bonds for eligible airport development. Before submitting a PFC application, the airport must give both notice and opportunity for consultation to airlines operating at the airport.

PFCs are to be treated similar to other airport improvement grants rather than as airport revenue, and will be

administered by the FAA. Large and medium hub airports (those airport that enplane more than 0.25 percent of the annual U.S. domestic enplanements) will be required to forego up to 50 percent of their AIP passenger entitlements if they levy a PFC. Based on the forecast enplanements for Ernest A. Love Field and the U.S., it is not anticipated that the Airport will qualify as a medium hub airport during the planning period. Ernest A. Love Field, therefore, will be eligible to retain all of its entitlement funds as well as any PFC revenue it receives. The City is considering implementing a PFC program for the airport.

### **FAA Facilities And Equipment Program**

When activity levels warrant, airports are considered for various FAA installed navigational aids, including Air Traffic Control Towers (ATCT) and navigational equipment. This is especially true at commercial service airports. Funding for these facilities is normally obtained from the Facilities and Equipment (F&E) section of the FAA. It is possible that future approach lighting aids could be eligible for this funding source.

### **Arizona Aviation Fund**

Another source of funds available for airports in the State of Arizona is the Arizona Aviation Fund. Taxes levied by the State on aviation fuel, flight property, aircraft registration tax and registration fees, as well as interest on these funds are deposited in the Arizona

Aviation Fund. These funds have the dual objective of maximizing the effective use of the Fund's dollars for Arizona airport improvements, while attracting maximum federal AIP funds.

The Transportation Policy Board establishes the policies for distribution of these State dollars. Projects are considered within the priorities established for each of four airport categories: Commercial Service and Reliever Airports, airports in the Primary system, airports in the Secondary system and special projects. Ernest A. Love Field is currently considered a Commercial Service facility. The City can obtain one half (4.47 percent) of the local share from the aviation fund for eligible federal AIP projects or 90 percent on state-local projects.

### **State Airport Loan Program**

A recent program started at the Arizona Department of Transportation - Aeronautics Division (ADOT) is the Airport Loan Program. This program was established to enhance the utilization of the State funds. It is designed to be a flexible funding mechanism to assist eligible airport projects.

Eligible airport related projects include runways, taxiways, aircraft parking aprons, hangars, fuel storage facilities, terminal buildings, utility services, land acquisition, planning studies, and preparation of plans and specifications for airport construction projects. Some projects, which are not currently eligible for state funding, would be considered

under the loan program if the project would enhance the airport's ability to be self-sufficient.

There are three ways in which the loan funds can be used: Grant Advance, Matching Funds, or Revenue Generating Projects. The Grant Advance funds are provided when the airport can demonstrate the ability to accelerate the development and construction of a multi phase project. The project(s) must be compatible with the Airport Master Plan and included in the ADOT 5-year Airport Development Program. The Matching Funds are provided to meet the local matching fund requirement for securing federal airport improvement grants or other federal or state grants. The Revenue Generating funds are provided for airport related construction projects that are not eligible for funding under another program. Although the Loan Program is an option for receiving funding, the availability of funds through this program is subject to the aviation revenue generated in the State.

## **FINANCING THE LOCAL SHARE OF CAPITAL IMPROVEMENTS**

The City will need to consider other sources of funding for obtaining the local share of its capital improvement projects. In addition to the revenues derived from airport operations, several other methods are available for financing the local share of airport development costs. The more common methods involve debt financing which amortize the debt over the useful life of the project or a specified period.

Methods of financing available to the City are discussed below.

## **Revenue Bonds**

Revenue Bonds are retired solely from the revenue of a particular project or from the operating income of the issuing agency, such as the City. Generally, they fall outside statutory limitations on public indebtedness and, in many cases, do not require voter approval. Because of the limitations on other public bonds, airport sponsors are increasingly turning to revenue bonds whenever possible.

Revenue Bonds, however, normally carry a higher rate of interest because they lack the security of tax supported General Obligation (GO) bonds issued by other government bodies. Revenue Bonds are more suited to airports that have sufficient cash flow and income to retire the debt in a reasonable time period.

## **Bank Financing**

Some airport sponsors have successfully used bank financing as a means of providing airport development capital. Generally, two conditions are required: the airport must demonstrate the ability to repay the loan at current market rates, and the capital improvement must be less than the value of the present facility. These are standard conditions which are applied to almost all bank loan transactions. This method of financing is particularly useful for smaller development items

that will produce revenues and a positive cash flow, and for cases when no private financing is available.

### **Third-Party Support**

Several types of funding would be classified as third-party support. For example, individuals or interested organizations may contribute portions of the required development funds. Private donations are not a common means of airport financing; however, the private financial contributions not only increase the financial support of the project, but also stimulate tenant and community support to airport development.

A slightly more common method of third party support involves permitting the Fixed Based Operators (FBOs) to construct their own hangar and maintenance facilities on property leased from the airport. The advantage to the airport in this type of an arrangement is that it lowers the local share of development costs, a large portion of which is building construction. The advantage to the FBO is that the development may qualify for investment tax credit and that they would be allowed depreciation on the facilities. The disadvantage with this option, however, is that the City will receive a smaller percentage of the revenue generated at the airport. For this reason, it is important to consider all possibilities before entering into a specific lease agreement.

### **Airport Operating Fund**

The City of Prescott has established an Enterprise Fund accounting system for the operation of Ernest A. Love Field. Included in the Airport Fund is the maintenance of accounts for operating revenues, nonoperating revenues (i.e. interest income), operating expenses, and nonoperating expenses (such as debt service from financing capital projects).

The City Council approved the first business plan for the airport on August 26, 1997. The intent of the business plan to "provide for an airport mission statement with a clear set of goals and objectives for the development and operation of Ernest A. Love Field." The 1997 Prescott Municipal Airport Business Plan examines airport maintenance and capital requirements over the next five years as well as anticipated revenues and expenditures for use in developing its annual budget. The business plan will be updated annually during the normal budget process.

Tables 6C and 6D present the summary of the cash flow analysis for the airport through the planning period. The intent of the cash flow analysis is to examine the airport's financial structure and the ability of the Airport Fund to contribute to future airport capital needs.

**TABLE 6C****FY 1998-2002 Cash Flow Analysis**

	<b>Budget Fiscal Year 1998</b>	<b>Fiscal Year 1999 Projection</b>	<b>Fiscal Year 2000 Projection</b>	<b>Fiscal Year 2001 Projection</b>	<b>Fiscal Year 2002 Projection</b>
<b>Operating Revenues</b>					
Fuel and Oil Sales	\$1,676,747	\$1,760,584	\$1,848,614	\$1,941,044	\$2,038,096
Rentals	572,376	600,995	631,045	631,045	631,045
Tiedown Fees	39,750	41,738	43,824	46,016	48,316
Landing Fees	12,500	13,125	13,781	14,470	15,194
Miscellaneous Revenues	32,248	33,860	35,553	37,331	39,198
<b>Total Operating Revenues</b>	<b>\$2,333,621</b>	<b>\$2,450,302</b>	<b>\$2,572,818</b>	<b>\$2,669,906</b>	<b>\$2,771,849</b>
<b>Operating Expenses</b>					
Personal Services	\$360,344	\$470,068	\$486,338	\$512,253	\$536,362
Supplies	1,288,496	1,327,151	1,366,965	1,407,974	1,450,214
Services	211,858	218,214	224,760	231,503	238,448
<b>Total Operating Expenses</b>	<b>\$1,860,698</b>	<b>\$2,015,433</b>	<b>\$2,078,064</b>	<b>\$2,151,730</b>	<b>\$2,225,024</b>
<b>Operating Income</b>	<b>\$472,923</b>	<b>\$434,869</b>	<b>\$494,754</b>	<b>\$518,176</b>	<b>\$546,826</b>
Source: Airport Business Plan for Prescott Municipal Airport, Ernest A. Love Field, August 1997					

Operating revenues are expected to increase in the future as activity grows. Similarly, airport operating expenses can be anticipated to increase in the future as additional facilities are added, new personnel costs are incurred, and existing facilities age. As shown in the tables, the airport is expected to derive sufficient revenues from existing sources to cover operating expenses through the planning period.

As a primary commercial service airport, the airport will continue to receive entitlement funding through the planning period. Additionally, the airport will be eligible to collect PFCs. However, future capital improvement needs will exceed the potential entitlement and PFC revenues and net revenues of the airport fund. Therefore,

FAA discretionary funding will be needed to remain on the proposed improvement schedule unless some projects are delayed or eliminated.

In summary, the Airport Fund appears capable of continuing to generate sufficient revenues from its operating sources to cover operating expenses; however, the airport fund may not generate sufficient funds to entirely support future capital needs. Therefore, the airport will be dependent upon federal discretionary funding to implement the recommended capital improvements program. The City will need to aggressively pursue this funding. If not available, some key projects may need to be funded from other sources, or delayed until sufficient funding can be secured.

<b>TABLE 6D</b>		
<b>Extended Cash Flow Analysis - Annual Averages</b>		
	<b>Fiscal Years 2003-2007</b>	<b>Fiscal Years 2008-2017</b>
<b>Operating Revenues</b>		
Fuel and Oil Sales	\$2,197,400	\$2,654,000
Rentals	696,000	898,900
Tiedown Fees	50,800	57,700
Landing Fees	17,200	23,500
Miscellaneous Revenues	45,500	66,100
<b>Total Operating Revenues</b>	<b>\$3,006,900</b>	<b>\$3,700,200</b>
<b>Operating Expenses</b>		
Personal Services	\$586,700	\$734,300
Supplies	1,586,100	1,985,100
Services	260,800	326,400
<b>Total Operating Expenses</b>	<b>\$2,433,600</b>	<b>\$3,045,800</b>
<b>Operating Income (Loss)</b>	<b>\$573,300</b>	<b>\$654,400</b>
<b>Source: Coffman Associates</b>		

## PLAN IMPLEMENTATION

The successful implementation of the Ernest A. Love Field Master Plan will require sound judgement on the part of City management. Among the more important factors influencing decisions to carry out a recommendation are timing and airport activity. Both of these factors should be used as references in plan implementation. Experience has indicated that major problems can materialize from the standard format of most planning documents. These problems center around a plan's inflexibility and inherent inability to deal with new issues that develop from unforeseen changes that may occur after it is completed. The format used in the development of this master plan has attempted to deal with this issue.

The real value of a usable master plan is that it keeps the issues and objectives in the mind of the user so that he or she is better able to recognize change and its effect. In addition to adjustments in aviation demand, decisions made as to when to undertake recommended improvements in this master plan will impact the period that the plan remains valid. The format used in this plan is intended to reduce the need for costly updates. Updating can be done by the user, improving the plan's effectiveness.

In summary, the planning process requires the City of Prescott to consistently monitor the progress of the airport in terms of total enplanements, total aircraft operations, total based aircraft, and overall aviation activity. Analysis of aircraft demand is critical to the exact timing and need for new



airport facilities. The information obtained from this continuous monitoring process will provide the data

necessary to determine if the development schedule should be accelerated or decelerated.